



## Senate

General Assembly

January Session, 2011

**File No. 373**

Senate Bill No. 1172

*Senate, April 5, 2011*

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

### ***AN ACT CONCERNING THE RECOMMENDATIONS OF THE CONNECTICUT TECHNOLOGY COUNCIL.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (*Effective from passage*) (a) On or before October 1, 2011, the  
2       Commissioner of Higher Education, in consultation with the  
3       Commissioner of Economic and Community Development, or their  
4       designees, shall, within existing budgetary resources, develop a plan to  
5       create and implement a university and industry research initiative to  
6       create a joint research institute between The University of Connecticut  
7       and private colleges in the state and use such joint research initiative to  
8       promote technology transfer programs to promote commercialization  
9       of technology developed at The University of Connecticut and private  
10      colleges. Such plan shall also identify business entities that may be  
11      interested in providing such joint research initiative with financial  
12      resources or other support.

13      (b) On or before January 1, 2012, the Commissioner of Higher  
14      Education shall report to the joint standing committees of the General

15 Assembly having cognizance of matters relating to higher education  
16 and commerce on the plan developed pursuant to subsection (a) of this  
17 section. Such report shall include the projected cost of creating and  
18 implementing a joint research institute between The University of  
19 Connecticut and private colleges in the state, a list of researchers at The  
20 University of Connecticut or private colleges willing to participate in  
21 the joint research initiative, the name of any private college in the state  
22 willing to participate in the initiative, the identities of any business  
23 entity willing to support such joint research initiative, and  
24 recommendations for administrative or legislative action needed to  
25 implement the plan.

26 Sec. 2. (NEW) (*Effective July 1, 2011*) (a) For purposes of this section  
27 "virtual incubator portal" means an Internet web site designed and  
28 developed to provide research, consulting and other services to assist  
29 small technology-based companies.

30 (b) The Commissioner of Economic and Community Development  
31 shall establish the virtual business incubator program to provide  
32 grants, subject to the availability of funds, to small technology-based  
33 companies that are assisted by the virtual incubator portal. The  
34 Department of Economic and Community Development may enter  
35 into an agreement, pursuant to chapter 55a of the general statutes, with  
36 a person, firm, corporation or other entity to operate the virtual  
37 incubator portal. The department, or a program operator selected  
38 pursuant to this subsection, shall operate the virtual incubator portal to  
39 provide assistance to small technology-based companies. In  
40 accordance with written guidelines developed by the department, the  
41 department or program operator, if any, may provide grants to assist  
42 small businesses operating within the virtual incubator portal. Grants  
43 made pursuant to this section shall be used by such small businesses to  
44 provide operating funds and related services, including business plan  
45 preparation, assistance in acquiring financing and management  
46 counseling.

47 (c) A small technology-based company shall submit an application

48 for a grant pursuant to this section in the manner prescribed by the  
49 Commissioner of Economic and Community Development.

50 (d) There is established an account to be known as the virtual  
51 business incubator account, which shall be a separate, nonlapsing  
52 account within the General Fund. The commissioner may use funds  
53 from the account to provide administrative expenses and grants  
54 pursuant to this section.

55 (e) (1) There is established a Virtual Business Incubator Advisory  
56 Board. Said board shall consist of: (A) The Commissioner of Economic  
57 and Community Development or a designee; (B) the president of the  
58 Connecticut Development Authority and the executive director of  
59 Connecticut Innovations, Incorporated, as ex-officio nonvoting  
60 members, or their designees; (C) one member to be appointed by the  
61 Governor; (D) two members to be appointed by the speaker of the  
62 House of Representatives, who shall have experience in the field of  
63 technology transfer and commercialization; (E) two members to be  
64 appointed by the president pro tempore of the Senate, who shall have  
65 experience in new product and market development; (F) one member  
66 to be appointed by the majority leader of the Senate; (G) one member  
67 to be appointed by the majority leader of the House of Representatives;  
68 (H) one member to be appointed by the minority leader of the House  
69 of Representatives, who shall have experience in seed and early stage  
70 capital investment; and (I) one member to be appointed by the  
71 minority leader of the Senate, who shall have experience in seed and  
72 early stage capital investment. All initial appointments to said board  
73 shall be made not later than October 1, 2011.

74 (2) The Commissioner of Economic and Community Development  
75 shall schedule the first meeting of said board not later than January 1,  
76 2012. Thereafter, the board shall meet at least once annually to evaluate  
77 and recommend changes to the guidelines adopted pursuant to this  
78 section.

79 (f) The Commissioner of Economic and Community Development  
80 shall adopt regulations, in accordance with the provisions of chapter

81 54 of the general statutes, establishing eligibility criteria for the  
82 distribution and use of grants pursuant to this section.

83 Sec. 3. (*Effective July 1, 2011*) The sum of fifty million dollars is  
84 appropriated to Connecticut Innovations, Incorporated, from the  
85 General Fund, for the fiscal year ending June 30, 2012, for the provision  
86 of preseed financing, seed financing, start-up financing, early or first-  
87 stage financing and expansion financing to companies in the state  
88 through the early-stage venture capital program, established pursuant  
89 to section 32-41w of the general statutes.

90 Sec. 4. (NEW) (*Effective October 1, 2011*) (a) There is established a  
91 sidecar investment fund program to be administered by Connecticut  
92 Innovations, Incorporated, for the purpose of providing grants to  
93 match preseed financing or seed financing by angel investors investing  
94 in companies in the state. "Angel investor" shall have the same  
95 meaning as in section 12-704d of the general statutes, as amended by  
96 this act, and "preseed financing" and "seed financing" shall have the  
97 same meanings as in section 32-34 of the general statutes.

98 (b) To implement the program established in subsection (a) of this  
99 section, the corporation shall establish criteria for providing matching  
100 investments and shall develop and implement a plan to market the  
101 program.

102 (c) The board of the corporation shall review and approve each  
103 application for matching grants for such financing.

104 (d) The grants authorized pursuant to this section shall be allocated  
105 as follows: (1) Ninety per cent of the investments shall match angel  
106 investment funding; and (2) not more than ten per cent shall be set  
107 aside to invest in state university student entrepreneurs receiving  
108 angel investment funding. Not more than a fifty per cent match, up to  
109 a maximum of two hundred fifty thousand dollars, shall be invested in  
110 any single company.

111 (e) The corporation shall adopt procedures, pursuant to section 1-

112 121 of the general statutes, to implement the provisions of this section,  
113 including a list of the criteria required pursuant to subsection (b) of  
114 this section.

115 (f) A review of the effectiveness of the program established by this  
116 section shall be conducted by the corporation by September 1, 2016.  
117 Such review shall be submitted, in accordance with the provisions of  
118 section 11-4a of the general statutes, to the joint standing committees of  
119 the General Assembly having cognizance of matters relating to  
120 commerce and finance, revenue and bonding.

121 Sec. 5. (NEW) (*Effective July 1, 2011*) (a) There is established the  
122 Young Innovators Corp Board within the Department of Economic and  
123 Community Development. The board shall consist of ten members, of  
124 which seven are voting members and three are ex-officio nonvoting  
125 members.

126 (b) (1) The voting members of the board shall be appointed as  
127 follows: (A) One appointed by the Governor; (B) one appointed by the  
128 speaker of the House of Representatives; (C) one appointed by the  
129 president pro tempore of the Senate; (D) one appointed by the majority  
130 leader of the House of Representatives; (E) one appointed by the  
131 majority leader of the Senate; (F) one appointed by the minority leader  
132 of the House of Representatives; and (G) one appointed by the  
133 minority leader of the Senate. All the members appointed pursuant to  
134 this section shall represent businesses in the state that develop new  
135 technologies, provide venture capital, manufacture products or  
136 provide business consulting services in the state.

137 (2) The ex-officio nonvoting members shall consist of the following  
138 members, or their designees: The Commissioners of Higher Education  
139 and Economic and Community Development and the chairperson of  
140 the board of Connecticut Innovations, Incorporated.

141 (3) The voting members shall serve for a term of four years. The  
142 members of the board shall serve without compensation but shall,  
143 within the limits of available funds, be reimbursed for expenses

144 necessarily incurred in the performance of their duties.

145 (4) The Governor's appointee shall be the chairperson of the board.  
146 The board may create other positions it deems necessary and may fill  
147 such positions from among its members. The powers of the board shall  
148 be vested in and exercised by not less than four members of the board.  
149 Four members of the board shall constitute a quorum. The board may  
150 solicit and receive funds from any public or private sources to carry  
151 out its activities.

152 (c) The Young Innovators Corp Board shall:

153 (1) Develop and implement a plan to attract youths from around the  
154 world to live and establish businesses in the state by using  
155 competitions for best global business plans with stipends and start-up  
156 financing, as defined in section 32-34 of the general statutes, as prizes;

157 (2) Develop and implement a plan to solicit socially-useful  
158 community-based projects using social media and new technologies by  
159 using competitions, and provide stipends and project funding as  
160 prizes; and

161 (3) Develop and propose a plan to provide business entities in the  
162 state with interns, provided the state agrees to pay the first year of  
163 costs associated with such interns and the business entity agrees to hire  
164 any provided interns for one or more additional years.

165 (d) The board may request other state agencies, including, but not  
166 limited to, the Departments of Higher Education and Economic and  
167 Community Development, and Connecticut Innovations, Incorporated,  
168 to provide information, reports and other assistance in carrying out its  
169 duties.

170 (e) On or before January 1, 2012, and annually thereafter, the  
171 chairperson of the board shall submit a report, in accordance with the  
172 provisions of section 11-4a of the general statutes, to the Governor and  
173 the joint standing committee of the General Assembly having  
174 cognizance of matters relating to commerce. Such report shall indicate

175 any progress made by the board in the development and  
176 implementation of the competitions or intern program in accordance  
177 with subsection (c) of this section, provide recommendations for  
178 sources of revenue to fund this section and recommendations for  
179 legislative action needed to assist the board in achieving its directive.

180 Sec. 6. Subsection (b) of section 12-704d of the general statutes is  
181 repealed and the following is substituted in lieu thereof (*Effective*  
182 *July 1, 2011*):

183 (b) There shall be allowed a credit against the tax imposed under  
184 this chapter, other than the liability imposed by section 12-707, for a  
185 cash investment of not less than one hundred thousand dollars in the  
186 qualified securities of a Connecticut business by an angel investor. The  
187 credit shall be in an amount equal to twenty-five per cent of such  
188 investor's cash investment, provided the total tax credits allowed to  
189 any angel investor shall not exceed two hundred fifty thousand  
190 dollars. The credit shall be claimed in the taxable year in which such  
191 cash investment is made by the angel investor. [and shall not be  
192 transferable] Any credit allowed pursuant to this section may be sold,  
193 assigned or otherwise transferred, in whole or in part, to one or more  
194 taxpayers.

195 Sec. 7. Subsection (a) of section 32-1c of the general statutes is  
196 repealed and the following is substituted in lieu thereof (*Effective*  
197 *July 1, 2011*):

198 (a) In addition to any other powers, duties and responsibilities  
199 provided for in this chapter, chapter 131, chapter 579 and section 4-8  
200 and subsection (a) of section 10-409, the commissioner shall have the  
201 following powers, duties and responsibilities: (1) To administer and  
202 direct the operations of the Department of Economic and Community  
203 Development; (2) to report annually to the Governor, as provided in  
204 section 4-60; (3) to conduct and administer the research and planning  
205 functions necessary to carry out the purposes of said chapters and  
206 sections; (4) to encourage and promote the development of industry  
207 and business in the state and to investigate, study and undertake ways

208 and means of promoting and encouraging the prosperous  
209 development and protection of the legitimate interest and welfare of  
210 Connecticut business, industry and commerce, within and outside the  
211 state; (5) to serve, ex officio as a director on the board of Connecticut  
212 Innovations, Incorporated; (6) to serve as a member of the Committee  
213 of Concern for Connecticut Jobs; (7) to promote and encourage the  
214 location and development of new business in the state as well as the  
215 maintenance and expansion of existing business and for that purpose  
216 to cooperate with state and local agencies and individuals both within  
217 and outside the state; (8) to plan and conduct a program of information  
218 and publicity designed to attract tourists, visitors and other interested  
219 persons from outside the state to this state and also to encourage and  
220 coordinate the efforts of other public and private organizations or  
221 groups of citizens to publicize the facilities and attractions of the state  
222 for the same purposes; (9) to advise and cooperate with municipalities,  
223 persons and local planning agencies within the state for the purpose of  
224 promoting coordination between the state and such municipalities as  
225 to plans and development; (10) by reallocating funding from other  
226 agency accounts or programs, to assign adequate and available staff to  
227 provide technical assistance to businesses in the state in exporting,  
228 manufacturing and cluster-based initiatives and to provide guidance  
229 and advice on regulatory matters; (11) to provide all necessary staff,  
230 services, accounting and office space and equipment required by the  
231 Connecticut Development Authority subject to the provisions of  
232 section 4b-23, where real estate acquisitions are involved; (12) to aid  
233 minority businesses in their development; (13) to appoint such  
234 assistants, experts, technicians and clerical staff, subject to the  
235 provisions of chapter 67, as are necessary to carry out the purposes of  
236 said chapters and sections; (14) to employ other consultants and  
237 assistants on a contract or other basis for rendering financial, technical  
238 or other assistance and advice; (15) to acquire or lease facilities located  
239 outside the state subject to the provisions of section 4b-23; (16) to  
240 advise and inform municipal officials concerning economic  
241 development and collect and disseminate information pertaining  
242 thereto, including information about federal, state and private



243 assistance programs and services pertaining thereto; (17) to inquire  
244 into the utilization of state government resources and coordinate  
245 federal and state activities for assistance in and solution of problems of  
246 economic development and to inform and advise the Governor about  
247 and propose legislation concerning such problems; (18) to conduct,  
248 encourage and maintain research and studies relating to industrial and  
249 commercial development; (19) to prepare and review model  
250 ordinances and charters relating to these areas; (20) to maintain an  
251 inventory of data and information and act as a clearinghouse and  
252 referral agency for information on state and federal programs and  
253 services relative to the purpose set forth herein. The inventory shall  
254 include information on all federal programs of financial assistance for  
255 defense conversion projects and other projects consistent with a  
256 defense conversion strategy and shall identify businesses which would  
257 be eligible for such assistance and provide notification to such business  
258 of such programs; (21) to conduct, encourage and maintain research  
259 and studies and advise municipal officials about forms of cooperation  
260 between public and private agencies designed to advance economic  
261 development; (22) to promote and assist the formation of municipal  
262 and other agencies appropriate to the purposes of this chapter; (23) to  
263 require notice of the submission of all applications by municipalities  
264 and any agency thereof for federal and state financial assistance for  
265 economic development programs as relate to the purposes of this  
266 chapter; (24) with the approval of the Commissioner of Administrative  
267 Services, to reimburse any employee of the department, including the  
268 commissioner, for reasonable business expenses, including but not  
269 limited to, mileage, travel, lodging, and entertainment of business  
270 prospects and other persons to the extent necessary or advisable to  
271 carry out the purposes of subdivisions (4), (7), (8) and (11) of this  
272 subsection and other provisions of this chapter; (25) to assist in  
273 resolving solid waste management issues; (26) (A) to serve as an  
274 information clearinghouse for various public and private programs  
275 available to assist businesses, (B) to identify specific micro businesses,  
276 as defined in section 32-344, whose growth and success could benefit  
277 from state or private assistance and contact such small businesses in

278 order to (i) identify their needs, (ii) provide information about public  
279 and private programs for meeting such needs, including, but not  
280 limited to, technical assistance, job training and financial assistance,  
281 and (iii) arrange for the provision of such assistance to such businesses;  
282 (27) to enhance and promote the digital media and motion picture  
283 industries in the state; (28) by reallocating funding from other agency  
284 accounts or programs, to develop a marketing campaign that promotes  
285 Connecticut as a place of innovation and a place with a high quality of  
286 life, and highlights the state as a hub between the cities of New York,  
287 New York and Boston, Massachusetts; and (29) by reallocating funding  
288 from other agency accounts or programs, to execute the steps  
289 necessary to implement the knowledge corridor agreement with  
290 Massachusetts to promote the biomedical device industry.

291 Sec. 8. Section 32-4f of the general statutes is repealed and the  
292 following is substituted in lieu thereof (*Effective July 1, 2011*):

293 (a) There is created a Connecticut Economic Conference Board. Said  
294 board shall consist of (1) the Governor, or his designee; (2) the  
295 Commissioner of Economic and Community Development; (3) the  
296 Commissioner of Higher Education and the commissioners of four  
297 state agencies in the executive department which have jurisdiction  
298 over matters of importance to economic clusters, who shall be  
299 appointed by the Governor; (4) the chairpersons and ranking members  
300 of the joint standing committees of the General Assembly having  
301 cognizance of matters relating to commerce, finance, revenue and  
302 bonding, and education; (5) a representative of each of the following  
303 areas: (A) Technology research, discovery or deployment, who shall be  
304 appointed by the president pro tempore of the Senate; (B) workforce  
305 training, job retention or human resources, who shall be appointed by  
306 the majority leader of the Senate; (C) financial or venture capital, who  
307 shall be appointed by the minority leader of the Senate; (D)  
308 telecommunications, energy, transportation or other physical  
309 infrastructure, who shall be appointed by the speaker of the House of  
310 Representatives; (E) regulatory, taxes or other financial services, who  
311 shall be appointed by the majority leader of the House of

312 Representatives; (F) environmental, housing, the arts or any other  
313 aspect of quality of life, who shall be appointed by the minority leader  
314 of the House of Representatives; and (6) two economists, who shall be  
315 appointed by the Governor. Each member of the board described in  
316 subdivision (2), (3) or (4) of this subsection may designate a deputy to  
317 represent him as a member at meetings of the board, with full powers  
318 to act and vote in his behalf. All appointments under subdivisions (3),  
319 (5) and (6) of this subsection shall be made by October 1, 1996. The  
320 persons initially appointed under subparagraphs (A) and (D) of  
321 subdivision (5) of this subsection shall serve for a term of three years  
322 from October 1, 1996, the persons initially appointed under  
323 subparagraphs (B) and (E) of said subdivision shall serve for a term of  
324 two years from October 1, 1996, and the persons initially appointed  
325 under subparagraphs (C) and (F) of said subdivision shall serve for a  
326 term of one year from October 1, 1996. Thereafter all persons  
327 appointed under said subdivision (5) shall serve for terms of three  
328 years from October first in the year of their appointment. Any vacancy  
329 under said subdivision shall be filled by the appointing authority. Each  
330 member of the board shall serve without compensation. The board  
331 shall choose a chairman from among its members.

332 (b) The Governor shall schedule and convene the first meeting of  
333 the board after the initial appointment of members under subdivisions  
334 (3), (5) and (6) of subsection (a) of this section. Such meeting shall be  
335 held no later than November 1, 1996.

336 (c) Not later than January 1, 1998, and annually thereafter, the board  
337 shall submit a report to the Governor, the Commissioner of Economic  
338 and Community Development and the General Assembly on the state  
339 of economic clusters in the state and the nation. Such report shall  
340 include, but not be limited to, analyses of (1) the growth, maturity and  
341 decline of existing economic clusters, and (2) the formation of new  
342 economic clusters which employ emerging technologies. The board  
343 shall annually hold an economic cluster conference for the purpose of  
344 gathering information for such report. The board shall invite to the  
345 conference, business leaders, government officials and higher

346 education faculty who work in, support or study economic clusters.

347       (d) Not later than January 1, 2012, the board shall establish a data  
 348 center to monitor economic cluster growth in the state and to track the  
 349 success of new businesses in the state. The data center established  
 350 pursuant to this subsection shall be within the Department of  
 351 Economic and Community Development for administrative purposes.  
 352 The data compiled by the data center shall be provided to the board  
 353 and shall be used to prepare a report for the quarter commencing July  
 354 1, 2012, and for each quarter thereafter. The chairperson of the board  
 355 shall submit the report, in accordance with the provisions of section  
 356 11-4a, to the Governor and the joint standing committee of the General  
 357 Assembly having cognizance of matters relating to commerce. Such  
 358 report shall detail any growth in an economic cluster, identify business  
 359 entities with high growth potential, detail the number of new business  
 360 entities established in each quarter and shall recommend  
 361 administrative or legislative action needed to facilitate the growth of  
 362 business entities or economic clusters in the state.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	New section
Sec. 2	<i>July 1, 2011</i>	New section
Sec. 3	<i>July 1, 2011</i>	New section
Sec. 4	<i>October 1, 2011</i>	New section
Sec. 5	<i>July 1, 2011</i>	New section
Sec. 6	<i>July 1, 2011</i>	12-704d(b)
Sec. 7	<i>July 1, 2011</i>	32-1c(a)
Sec. 8	<i>July 1, 2011</i>	32-4f

**CE**           *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

## **OFA Fiscal Note**

### **State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 12 \$</b>	<b>FY 13 \$</b>
Resources of the General Fund	GF - Cost	50 million	None
Department of Revenue Services	GF - See Below	Up to 1.0 million	Up to 1.0 million
Department of Economic and Community Development - Virtual Business Incubator Account	GF - Cost	Up to 500,000	Up to 500,000
Department of Economic & Community Development	GF - Cost	68,000	68,000
Comptroller Misc. Accounts (Fringe Benefits) <sup>1</sup>	GF - Cost	13,780	13,780
Various State Agencies	GF - Cost	Less than \$5,000	Less than \$5,000
Higher Ed., Dept.	GF - Cost	Less than \$5,000	None

Note: GF=General Fund

**Municipal Impact:** None

### **Explanation**

**Section 1**, which requires the Commissioner of Higher Education in consultation with the Commissioner of Economic and Community Development, to develop a plan to promote commercialization of technology developed at The University of Connecticut and private colleges, will result in a cost of less than \$5,000.

The bill specifies that DHE implement the provisions of the section within existing budgetary resources. However, if the section were to

<sup>1</sup> The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated non-pension fringe benefit cost associated with personnel changes is 23.76% of payroll in FY 12 and FY 13. In addition, there could be an impact to potential liability for the applicable state pension funds.

be implemented the costs to DHE would be as specified above.

The Department of Higher Education does not currently have staff with expertise in this area and would require assistance from a consultant. It is estimated that a consultant would cost approximately \$100 per hour. Based on the number of hours required to complete the study, the cost could range from \$100 to \$5,000.

**Section 2** results in a cost of up to \$500,000 to the Department of Economic and Community Development (DECD) by establishing a virtual business incubator program. The resulting cost includes administrative expenses and grant funding anticipated to be distributed in the program. Funds for the program are to be deposited within a separate non-lapsing virtual business incubator account within the General Fund. DECD may enter into an agreement with a third party to administer this program. DECD may also provide grant assistance to small businesses operating in the program.

**Section 3** appropriates \$50 million from the General Fund to the Connecticut Innovations, Incorporated (CII).<sup>2</sup> This funding will support the financing of businesses through the early stage venture capital program.

**Section 4** results in no impact by establishing a sidecar investment fund program to be administered by CII. The bill does not appropriate any state funding to CII to support this program.

**Section 5**, which establishes a Young Innovators Corp Board within DECD, results in a minimal cost. Agencies with appointed Board members would incur minimal costs, estimated to be less than \$5,000, associated with mileage reimbursement of 51 cents per mile for agency staff (who seek reimbursement) participating on the Board.

The bill allows the Board to solicit funding from public and private

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<sup>2</sup> Connecticut Innovations, Incorporated (CII) is a quasi-state agency. As such, CII's programs and operations are self-funded, not state funded. On occasion the state appropriates funding to CII for specific purposes.

sources to carry out its activities and programs.

**Section 6** may result in an expedited revenue loss from the Personal Income Tax of up to \$1.0 million annually through FY 15, to the extent that allowing the transfer of Angel Investor credits results in the taking of credits in earlier fiscal years than would have occurred in the absence of the transferability option.

Under current law, Angel Investor credits may not be transferred. Thus, if a credit-holder does not have an existing Personal Income Tax liability, that credit-holder would have to carry the credit forward for up to five years until a liability exists and the credit is fully exhausted. The bill would allow Angel Investor credit-holders to transfer credits, which would likely result in the immediate taking of transferred credits.

There are currently fewer than 20 authorized Angel Investor credits outstanding, totaling approximately \$680,000.

**Section 7** results in no fiscal impact by modifying the DECD marketing campaign required under P.A. 10-75 to highlight Connecticut's quality of life and strategic location.

**Section 8** results in a total cost of \$81,780 by creating a data center to monitor economic cluster growth in the state. The bill establishes the data center in DECD for administrative purposes. DECD will require one Research Analyst with an annual cost of \$71,780 (\$58,000 for salary and \$13,780 for fringe benefits) to administer the program and provide data on a quarterly basis to the Connecticut Economic Conference Board for reporting purposes. Software costs are estimated to be approximately \$10,000.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Sources: Department of Economic and Community Development, "The Connecticut Advantage," <http://www.ct.gov/ecd/cwp/view.asp?a=1097&q=438016>

*Department of Economic and Community Development, Annual Report FY 2010*



**OLR Bill Analysis****SB 1172*****AN ACT CONCERNING THE RECOMMENDATIONS OF THE CONNECTICUT TECHNOLOGY COUNCIL.***

This bill creates several programs and provides other initiatives related to the state's technology industries and business financing. The bill:

1. requires the Department of Higher Education (DHE) commissioner, in consultation with the Department of Economic and Community Development (DECD) commissioner, to prepare a plan for a joint research institute, involving UConn and private colleges, that would promote technology transfer to further the commercialization of university-developed technology (§ 1);
2. establishes a DECD-administered virtual business incubator program consisting of an online portal and grants to businesses operating within it (§ 2);
3. appropriates \$50 million to Connecticut Innovations, Incorporated (CII) for FY 12 to provide preseed, seed, start-up, early or first-stage, and expansion financing to in-state companies through CII's early-stage venture capital program (see BACKGROUND) (§ 3);
4. creates a CII-administered sidecar matching grant program for businesses and student entrepreneurs who receive angel investor financing (§ 4);
5. establishes a Young Innovators Corp Board within DECD to attract and support young entrepreneurs through competitions and an intern program (§ 5);

6. allows angel investors to sell, assign, or otherwise transfer angel investment tax credits (§ 6);
7. requires the DECD commissioner to market and promote Connecticut's high quality of life and location as a hub between New York and Boston (§ 7); and
8. requires the Connecticut Economic Conference Board to (a) establish a data center for monitoring the growth of the state's economic clusters and the formation of new businesses here and (b) submit quarterly reports based on such data to the governor and Commerce Committee (§ 8).

EFFECTIVE DATE: July 1, 2011, except the requirement for the joint research institute plan, which is effective upon passage, and the sidecar matching grants program, which is effective October 1, 2011.

## **§ 1 — JOINT RESEARCH INSTITUTE**

Under the bill, the DHE commissioner, in consultation with the DECD commissioner (or their designees), must develop a plan to create and implement a university and industry research initiative establishing a joint research institute between UConn and in-state private colleges. The initiative must promote technology transfer programs that promote the commercialization of technology developed at UConn and private colleges. The plan must also identify businesses that may be interested in providing financing or other support for the initiative.

The commissioners must develop the plan by October 1, 2011, and do so within existing budgetary resources.

The bill requires the DHE commissioner, by January 1, 2012, to report on the plan to the General Assembly's Higher Education and Commerce committees. The report must:

1. include the projected cost of creating and implementing the joint research institute;

2. identify private colleges, as well as researchers at UConn or private colleges, willing to participate in the initiative;
3. identify businesses willing to support the initiative; and
4. recommend necessary administrative or legislative actions to implement the plan.

## **§ 2 — VIRTUAL BUSINESS INCUBATOR PORTAL**

### ***Portal Overview***

The bill requires the DECD commissioner to create a virtual business incubator program to provide grants to small technology-based companies that are assisted by a website designed and developed to provide research, consulting, and other services for such companies. The grants are subject to available funding.

The website is called the virtual incubator portal. The bill allows DECD to operate the portal itself or through another person or entity. If DECD chooses the latter, it must enter into a personal services agreement with the operator.

The bill requires the program operator to operate the portal to assist small technology-based companies. The operator may, according to written guidelines DECD develops, provide grants to help small businesses operating within the portal. Recipients must use grants for operating funds and related services, including business plan preparation, help in acquiring financing, and management counseling. Companies seeking a grant must submit an application in the manner the DECD commissioner prescribes. The DECD commissioner must adopt regulations setting eligibility criteria for grant distribution and use.

The bill establishes a separate, nonlapsing virtual business incubator account in the General Fund. It allows the commissioner to use the account's funds for administrative expenses and grants through the portal program.

**Advisory Board**

The bill also creates a 12-member Virtual Business Incubator Advisory Board. There are two ex-officio, nonvoting members: Connecticut Development Authority's president and CII's executive director, or their designees. The DECD commissioner, or his designee, is a voting member. The governor and House and Senate majority leaders each appoint one member, with no specified qualifications. The House speaker appoints two members, who must have experience in technology transfer and commercialization. The Senate president pro tempore appoints two members, who must have experience in new product and market development. The House and Senate minority leaders each appoint one member, who must have experience in seed and early stage capital investment. The bill does not specify the members' terms.

The bill requires initial board appointments to be made by October 1, 2011. The DECD commissioner must schedule the first board meeting by January 1, 2012. After that, the board must meet at least once a year to evaluate and recommend changes to the program guidelines.

**§ 4 — SIDECAR INVESTMENT FUND**

The bill creates a sidecar investment fund program to provide matching grants to businesses or state university student entrepreneurs who receive preseed or seed financing from angel investors. The bill uses the definition of angel investor that applies for the angel investment tax credit program created by PA 10-75, and the definitions of preseed and seed financing that apply in the statute governing CII (see BACKGROUND).

CII must administer the sidecar investment fund program. To implement the program, CII must (1) set criteria for providing matching investments and (2) develop and implement a marketing plan for the program. CII's board must review and approve each grant application under the program.

The bill requires 90% of the program grants to match angel investments to businesses, and up to 10% for investments in state university student entrepreneurs who receive angel investment funding. The bill restricts a grant to any company to a 50% match, up to \$250,000. It is unclear if these restrictions also apply to student entrepreneurs.

CII must adopt procedures for the program, including the criteria for providing matching grants.

CII must review the program's effectiveness by September 1, 2016, and submit the review to the Commerce and Finance, Revenue and Bonding committees.

#### **§ 5 — YOUNG INNOVATORS CORP BOARD**

The bill creates a 10-member Young Innovators Corp Board within DECD. There are three ex-officio, nonvoting members: the DHE and DECD commissioners and the chairperson of CII's board, or their designees. The governor, House speaker, Senate president pro tempore, and House and Senate majority and minority leaders each appoint one member. These members must represent in-state businesses that develop new technologies, provide venture capital, manufacture products, or provide business consulting services here.

The governor's appointee is the board's chairperson. The voting members serve four-year terms. Members are not compensated but are reimbursed for their necessary expenses, within available funds. The board may create other positions it deems necessary and may fill those positions with board members. Four members of the board constitute a quorum and can exercise the board's powers. (The bill does not specify whether they must be voting members.)

The bill allows the board to solicit and receive funds from public or private sources to carry out its activities.

The bill requires the board to:

1. develop and implement a plan to attract young people from around the world to live and establish businesses in Connecticut by using competitions for best global business plans, with stipends and start-up financing as prizes. For this purpose, the bill uses the current definition of start-up financing in the CII statute (see BACKGROUND);
2. develop and implement a plan, using competitions, to solicit socially useful, community-based projects using social media and new technologies, with stipends and project funding as prizes; and
3. develop and propose a plan to provide interns to in-state businesses, as long as (a) the state agrees to pay the first year of intern-associated costs and (b) the participating businesses agree to hire any such interns for at least one additional year.

The bill authorizes the board to ask other state agencies for information, reports, and other assistance in carrying out its duties. These agencies include DHE, DECD, and CII.

The bill requires the board chairperson, by January 1, 2012 and annually after that, to report to the governor and Commerce Committee. The report must (1) indicate the board's progress in developing and implementing the competitions and intern program described above and (2) recommend revenue sources to fund these programs and necessary legislative action to help the board meet its charge.

## **§ 6 — ANGEL INVESTOR TAX CREDITS**

PA 10-75 authorized nontransferable personal income tax credits for eligible people (see BACKGROUND) who invest at least \$100,000 in start-up, technology-based businesses in Connecticut meeting specified criteria. Each credit equals 25% of the cash investment, up to \$250,000. The bill allows all or part of the credits to be sold, assigned, or otherwise transferred to other taxpayers.

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**§ 7 — DECD MARKETING CAMPAIGN**

PA 10-75 required the DECD commissioner to reallocate funds from other DECD accounts or programs for a marketing campaign promoting Connecticut as a place of innovation. The bill adds two components to the marketing campaign: it must (1) promote Connecticut's high quality of life and (2) highlight the state as a hub between New York City and Boston.

**§ 8 — ECONOMIC CLUSTER DATA CENTER**

The bill requires the Connecticut Economic Conference Board, by January 1, 2012, to create a data center to monitor economic cluster growth in the state and track the success of new businesses here. The bill places the data center in DECD for administrative purposes.

Under the bill, the center must provide the board with the data it compiles. The board must use the data to prepare quarterly reports, starting with the quarter beginning July 1, 2012. The board's chairperson must submit the report to the governor and the Commerce Committee. The report must:

1. detail growth in an economic cluster,
2. identify businesses with high growth potential,
3. detail the number of new businesses established in each quarter, and
4. recommend necessary administrative or legislative action to facilitate the growth of businesses or economic clusters in the state.

**BACKGROUND*****Early-Stage Venture Capital Program***

The early-stage venture capital program, administered by CII, must provide venture capital to newly established or expanding businesses in the early stages of developing new products and processes. The law requires CII to apportion program funds as follows:

1. at least 5% for preseed financing;
2. at least 10% for seed financing;
3. at least 10% for start-up financing;
4. at least 15% for early or first-stage financing; and
5. at least 40%, but no more than 60%, for expansion financing.

CII may also use up to 3% of the program's funds to cover administrative and marketing expenses.

### ***Angel Investors***

Under PA 10-75, an angel investor is a person who qualifies as an "accredited investor" under Security and Exchange Commission rules, or a network of such people, who review new or proposed businesses for potential investment and who seek active involvement, such as consulting and mentoring, in a Connecticut business (accredited investors are typically high-income, high net worth individuals and entities). But angel investors do not include:

1. individuals or specified entities who control 50% or more of the business receiving the investment;
2. venture capital companies; or
3. banks, bank and trust companies, insurance companies, trust companies, national banks, savings associations, or building and loan associations for activities that are part of their normal business operations.

### ***Preseed, Seed, and Start-Up Financing***

The law defines preseed financing as aid provided for concept research and formulation. Seed financing is aid to an inventor or entrepreneur to assess the viability of a concept and qualify for start-up financing to fund product development, market research, management team building and, pending successful progress on these



steps, business plan development. Start-up financing is aid to companies in the process of organizing as a business or that have been operating for less than a year and have (1) completed product development and initial marketing but have not sold the product commercially and (2) established viability by performing market studies, assembling key management, developing a business plan and may also qualify for start-up financing by demonstrating viability by other means CII deems appropriate (CGS § 32-34 (18)-(20)).

**Related Bills**

The following bills have all been reported favorably by the Commerce Committee:

sSB 1171 creates a Higher Education Technology Transfer Policy Board within CII.

HB 6383 establishes a DECD grants program for several purposes, including some supporting the technology industry.

HB 6455 (File 189) eliminates the Connecticut Economic Conference Board.

sHB 6525 makes changes to the angel investor tax credit program and includes other provisions concerning technology and business financing.

**COMMITTEE ACTION**

Commerce Committee

Joint Favorable

Yea 18      Nay 1      (03/22/2011)